

By: Bob Patterson – Head of Internal Audit
To: Governance and Audit Committee – 3 October 2014
Subject: **ANTI-FRAUD AND CORRUPTION PROGRESS REPORT**
Classification: Unrestricted

Summary: This paper provides a summary of progress of anti-fraud and corruption activity as well as the outcome of investigations concluded since the last Governance and Audit Committee meeting in July 2014.

FOR ASSURANCE

Introduction and Background

1. Within Kent County Council the responsibility for anti-fraud and corruption activity is set out within the Council's Financial Regulations and the Terms of Reference for the Governance and Audit Committee. The work of the Committee is to ensure that the Council has a robust counter-fraud culture backed by well-designed and implemented controls and procedures. This paper supports the Committee in meeting this outcome.

Anti-Fraud and Corruption Activity

Department for Communities and Local Government Fraud Fund

2. The Department for Communities and Local Government (DCLG) has acknowledged that local authorities have complex and conflicting demands with limited counter fraud resources, and that the transfer of benefit fraud investigators from local authorities to the Single Fraud Investigation Service from 2014 may also create challenges to some authorities' investigative capacity. In response, DCLG has invited local authorities to submit applications for a £16m fraud fund with the intention of increasing the capacity and capability of local authorities to tackle losses from non-benefit fraud.
3. In consultation and agreement with every Kent local authority we have prepared and submitted an innovative joint bid to establish a Kent wide, cross local authority intelligence sharing and analytics partnership with the shared objective to detect, prevent and deter fraud and corruption. The partnership will utilise data from the 14 local authority partners, Companies House and social housing providers to focus counter fraud resources on high risk areas of fraud such as council tax, business rates, social housing and procurement.
4. If successful, the bid will provide funding to purchase and implement a data analytics software solution across the partnership including the necessary training and support. The estimated savings from the project in year 1 and 2 exceed £4m across all the partners and there are wider benefits including improved management information and debt recovery. The successful applicants will be notified by the end of October 2014.

Blue Badge Fraud and Error

5. The primary purpose of the Blue Badge Scheme is to provide a range of parking concessions for people with severe mobility problems who have difficulty using public transport, so that they can park close to where they need to go.
6. Kent County Council is responsible for the local administration and enforcement of the Blue Badge Scheme. There are currently over 70,000 blue badges in issue throughout Kent.
7. Misuse of the scheme reduces the availability of these parking concessions for genuine badge holders as well as revenue from parking. In 2013 the recently closed National Fraud Authority estimated that the misuse of blue badges costs the UK economy £46m per year.
8. We have identified some inconsistencies in Blue Badge enforcement across the district and borough councils and we believe there are opportunities to identify best practice which could be shared across the Kent districts.
9. We have therefore agreed with management and Members to work more closely with Maidstone Borough Council on a trial basis and target Blue Badge misuse. On a specific day we will target parking hotspots to:
 - Talk to genuine badge users to discuss any concerns they may have regarding misuse of the blue badge scheme.
 - Educate the public about the appropriate use of a Blue Badge.
 - Reassure genuine badge holders that KCC and Maidstone Borough Council are actively pursuing misuse.
 - Detect inappropriate or unlawful use of Blue Badges and where appropriate issue a penalty charge notice (by Maidstone Parking Enforcement), or in the most serious cases of misuse, pursuing a criminal prosecution.
 - Create a deterrent effect so that future misuse will be reduced, thus ensuring availability of parking spaces for genuine badge holders.
10. The results of the trial will be reported to management and the Governance and Audit Committee. If successful, we will work with the remaining council in Kent to implement similar activity.

Fraud Awareness Campaign

11. We previously reported the launch of a Fraud Awareness Campaign in November 2014. The campaign includes a new e-learning module. The fraud awareness module has now been completed and is available in advance of the campaign on the e-learning gateway.

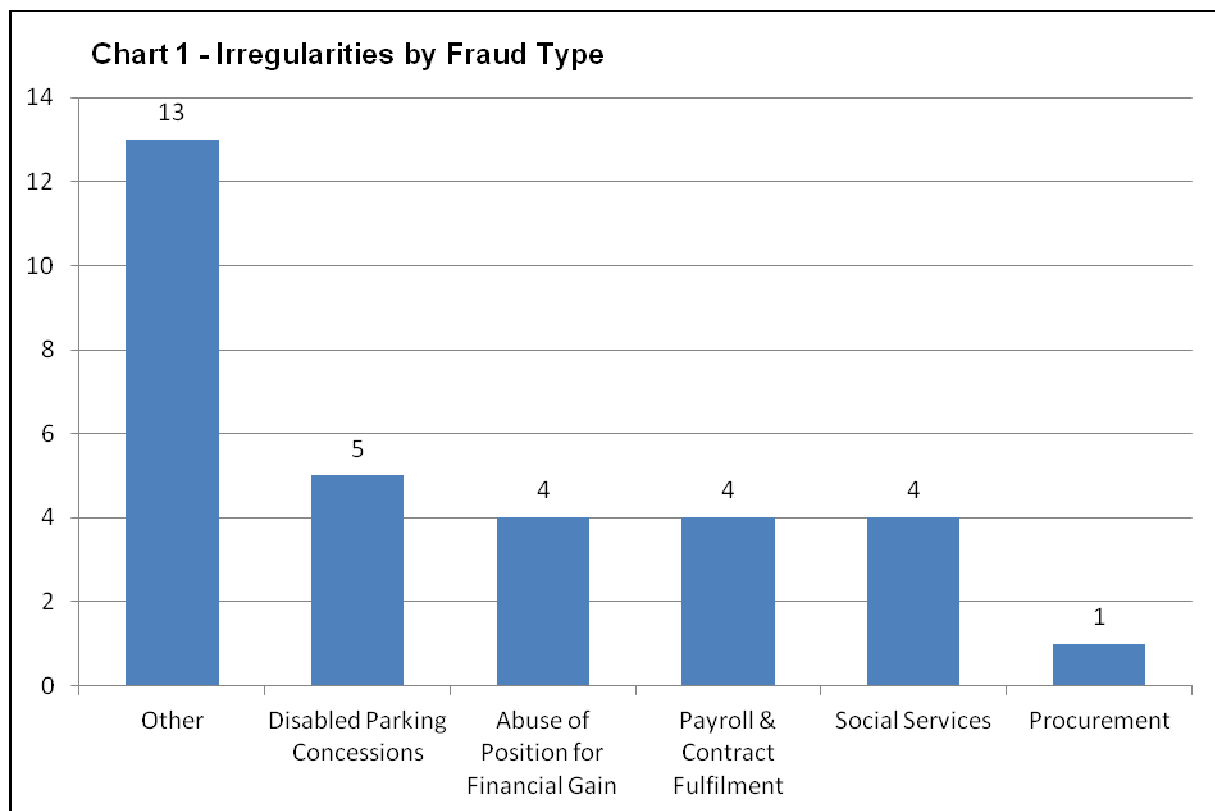
Irregularities

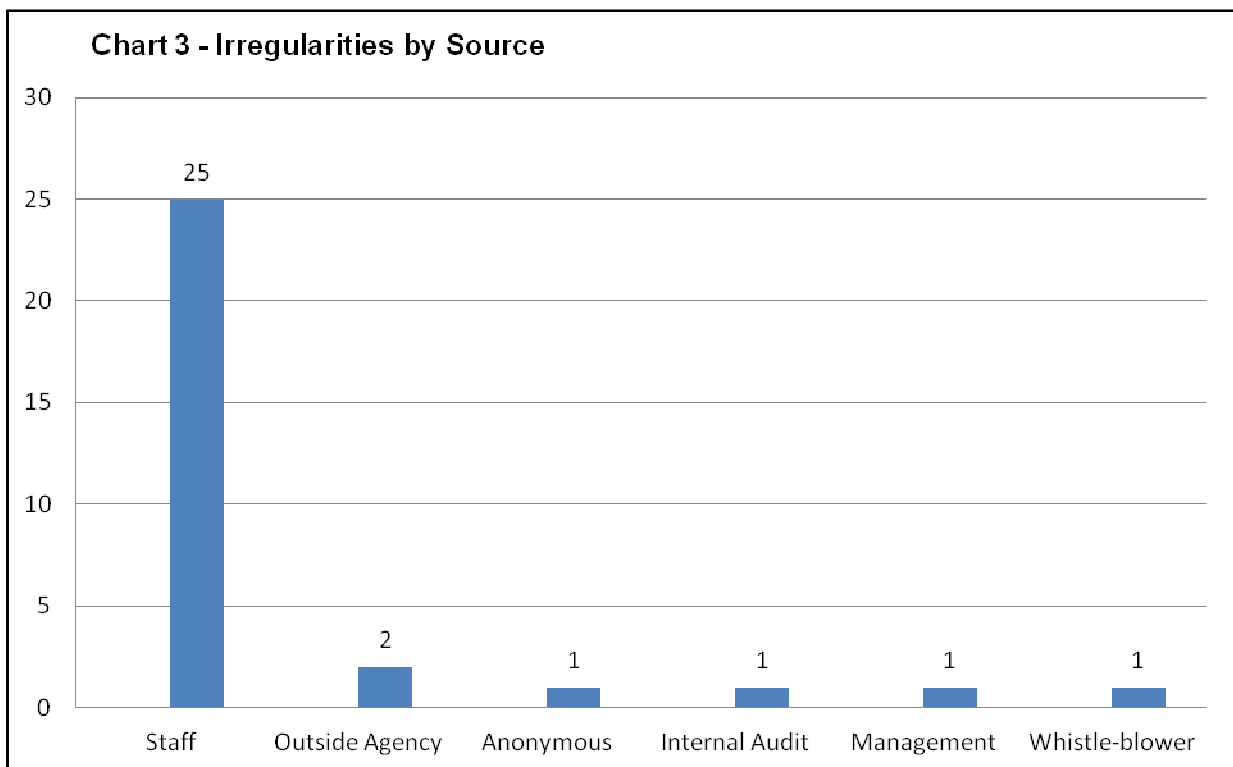
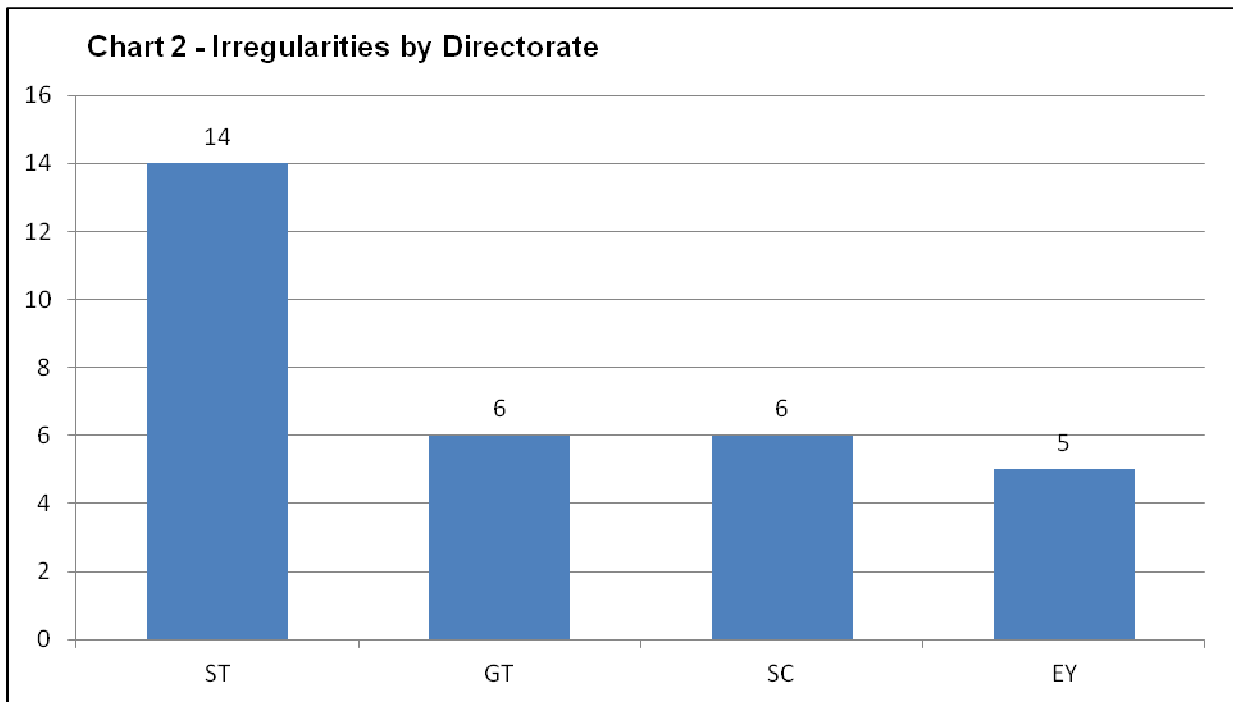
12. The following table summarises the financial irregularities under investigation since the 18 June 2014. Summaries of the concluded irregularities are set out in Appendix A.

Table 1 – Irregularities Received

	Number of Irregularities
Bought forward at 18 June 2014	26
New irregularities recorded in period	15
Concluded in period	13
Carried forward at 9 September 2014	28

13. In total, Internal Audit has recorded 31 new irregularities in 2014/15. The most common types of fraud reported have been related to Disable Parking (5), Abuse of Position for Financial Gain (4), Payroll and Contract Fulfilment Fraud (4) and several (13) falling within the 'Other' category as defined by the Audit Commission. The 'Other' category includes numerous school cheque frauds and allegations related to Kent Support and Assistant Applications (KSAS). The Audit Commission's definitions for each fraud type are detailed in Appendix B. A breakdown by type, directorate and source is shown below.





14. The most common source of referral continues to be staff (25) which indicates a good level of fraud awareness but we will continue to promote an anti-fraud culture and encourage management and staff to report any concerns.

Recommendations

11. Members are asked to note for assurance:

- the progress of prevention and investigation anti-fraud and corruption activity.

Appendices

Appendix A Summary of Concluded Irregularities

Appendix B Definitions of Fraud Types

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